

# Drug Intelligence Brief



DRUG ENFORCEMENT ADMINISTRATION  
INTELLIGENCE DIVISION

February 2004  
DEA-03081



## CHINA: COUNTRY BRIEF

<b>Drug Enforcement Administration (DEA) Office Responsible:</b>	Beijing Country Office
<b>Type of Government:</b>	Communist State
<b>Official Name:</b>	People's Republic of China
<b>Capital:</b>	Beijing
<b>Population:</b>	1,286,975,468 (July 2003 Estimate)

## STATUS IN INTERNATIONAL DRUG TRAFFICKING

Several factors influence the current status of China in international drug trafficking. These factors include history, location, size, population, and current economic conditions. China has one-fifth of the world's population and a large and expanding

economy. Opium has played an important role in Chinese history since before the Opium Wars in the mid-1800s. China's large landmass, close proximity to the Golden Triangle, and numerous coastal cities with large and modern port facilities make it an attractive transit center to drug traffickers. China's status in drug trafficking has changed significantly since the 1980s, when the country for the first time opened its borders to trade and tourism after 40 years of relative isolation. As trade with Southeast Asian countries and the West increased, so did the flow of illicit drugs and precursor chemicals from, into, and through China.

### Significant Effects of Drug Trafficking in China

- ♦ China is a transit area for Southeast Asian heroin bound for international drug markets.
- ♦ China is a key source of crystal methamphetamine that is used by many Southeast Asian and Pacific Rim nations.
- ♦ China is developing a significant 3, 4-methylenedioxymethamphetamine (MDMA) production, trafficking, and consumption problem.
- ♦ China is also a major source of precursor chemicals that are necessary for the production of cocaine, heroin, crystal methamphetamine, and MDMA.
- ♦ China is being forced to develop a complex counterdrug strategy that includes prevention, education, eradication, interdiction, and rehabilitation.

## CULTIVATION AND PROCESSING

### *Cannabis*

Cannabis grows naturally throughout southwestern China. Cannabis is licitly cultivated in some areas of China for use in commercial rope manufacturing. Most of the illicit cultivation of cannabis in China appears in Xinjiang and Yunnan Provinces, and is primarily cultivated for domestic use. In 2002, approximately 1.3 metric tons of marijuana were seized in China.

### *Ephedra*

The Chinese Government owns and operates ephedra farms, where ephedra grass (*ephedra sinica*) is cultivated under strict government control. The active alkaloids, pseudoephedrine and ephedrine, are chemically extracted from the plant material and processed for pharmaceutical purposes. These chemicals are then sold domestically, and for export. China and India are the major producers of these chemicals extracted from the ephedra plant. In addition to government-controlled farms, the ephedra plant grows wild in many parts of the northern areas of China.

## Opium

Illicit cultivation of the opium poppy is negligible. The illicitly cultivated opium poppy is grown in provinces such as Yunnan, Ningxia, Inner Mongolia, and the remote regions of the northwest frontier. Opium produced in these areas is not converted into heroin, but is consumed locally by the ethnic minority groups in these isolated areas. Chinese officials report that in the last several years no heroin laboratories have been seized in China.

Licit cultivation of the opium poppy occurs on farms controlled by the Ministry of Agriculture and the National Drug Administration Bureau of the State Council. According to United Nations (U.N.) International Narcotics Control Board (INCB) data, China produces approximately 14 metric tons of licit opium per year for use in the domestic pharmaceutical industry. China reports that none of this opium is exported.

## Synthetic Drugs

Manufacture of crystal methamphetamine (*ice, shabu, bingdu*) is facilitated by the availability of precursor chemicals, such as pseudoephedrine and ephedrine. The unrestricted availability of these chemicals in the country facilitates the production of large quantities of crystal methamphetamine. Seizure information indicates that methamphetamine laboratories are located in provinces along the eastern and southeastern coastal areas. Many of the traffickers for the clandestine crystal methamphetamine laboratories are from organized crime groups based in Hong Kong, Taiwan, and Japan.

Because of its increasing popularity with young partygoers in Beijing, Shanghai, Nanjing, Guangzhou, and Shenzhen, Chinese law enforcement officials report significant increases in the domestic production of MDMA (Ecstasy). Most MDMA production in China is for domestic consumption, but MDMA tablets also are imported from the Netherlands into China to meet the demand.

Some laboratory operators in China mix MDMA powder, imported from Europe, with substances, such as caffeine, heroin, and ketamine, while making the Ecstasy tablets. Given the availability of the precursor chemical needed, open source reporting indicates that MDMA tablets in China cost only US\$.06 to produce, while the tablets sell for as much as US\$36 in the city of Shanghai.

## TRAFFICKING

### Trafficking Groups

Many of the individuals involved in the international trafficking of Southeast Asian heroin are ethnic Kokang, Yunnanese, Fujianese, Cantonese, or members of other ethnic Chinese minority groups that reside outside of China. These groups reside, and are actively involved in drug trafficking in countries, such as Burma, Cambodia, Canada, Hong Kong, Taiwan, Thailand, and the United States.

Reporting on the activities of drug trafficking organizations in China is sparse. However, Chinese officials report that drug traffickers are dividing their large shipments into smaller ones in order to minimize losses in case of seizure. Chinese officials also report that drug traffickers are increasingly using women, children, and poor, uneducated farmers to body-carry drugs from the Golden Triangle area to Guangdong Province and other provinces in China.

In China, many individuals and criminal organizations involved in drug trafficking are increasingly arming themselves with automatic weapons and grenades to protect their drug shipments from theft by rival organizations. Many firefights occur along the Burma–China border, where larger drug shipments are more prevalent. Traffickers also arm themselves to avoid being captured by the police, and some smugglers are better armed than the local police forces.

Furthermore, many traffickers believe they have a better chance of surviving a firefight than the outcome of any legal proceedings. In China, sentencing for drug trafficking could include capital punishment. For example, the seizure of 50 grams or more of heroin or crystal methamphetamine could result in the use of the death penalty by the Government.

## Drug-Related Arrests in China

1991 - 2003

	Arrests	Convictions
1991	8,080	5,285
1992	7,025	6,588
1993	7,677	6,137
1994	10,434	7,883
1995	12,990	9,801
1996	18,860	13,787
1997	24,873	18,878
1998	34,287	27,229
1999	37,627	33,641
2000	39,604	33,203
2001	39,604	33,203
2002	42,854	32,222
2003	31,400	N/A

**Sources:** Chinese Government Information, 1991-2002, and the International Narcotics Control Strategy Report (INCSR), U.S. Department of State, 2002, and INCSR January 2003-June 2003

## Drug Seizures in China (IN METRIC TONS) 1995 - 2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Heroin	2.376	4.347	5.477	7.358	5.364	6.281	13.2	9.29	4.07
Opium	1.11	1.745	1.880	1.215	1.193	2.428	2.82	1.2	N/A
Precursor Chemicals	86	219	383	344	272	215	208	300	N/A
Marijuana	.466	4.876	2.408	5.079	.106	4.493	.751	1.3	N/A
Crystal Methamphetamine	1.304	1.599	1.334	1.608	16.059	20.9	4.82	3.19	4.53

**Source:** Chinese Government, 1995-2001; DEA Beijing, 2002 and INCSR (China), January 2003-June 2003

## Heroin

China shares a 2000-kilometer border with Burma, as well as smaller but significant borders with Laos and Vietnam. Chinese officials state that the majority of heroin

entering China comes over the border from Burma. This heroin then transits southern China, through Yunnan or Guangxi Provinces, to Guangdong or Fujian Provinces to the southeastern coastal areas, and then on to international markets. Heroin is transported by various overland methods to ports in China's southeastern Provinces of Guangdong and Fujian.

Heroin is transported to Guangdong Province and to the cities of Xiamen and Fuzhou in Fujian Province for shipment to international drug markets. Traffickers take advantage of expanding port facilities in northeast cities, such as Qingdao, Shanghai, and Tianjin, to ship heroin via maritime routes. Increased Chinese interdiction efforts along the Burma–China border have forced some traffickers to send heroin from Burma to China's southeastern provinces by fishing trawlers.

In addition to Southeast Asian heroin entering into China, Southwest Asian heroin enters northwestern China from Afghanistan, Pakistan, and Tajikistan. Chinese authorities state that Southwest Asian heroin (mainly originating from Afghanistan) represents as much as 20 percent of the heroin that enters the northwest Province of Xinjiang. This trend is increasing, and is attributed to the continuing development of the infrastructure and economy in the western parts of China.

## ***Synthetic Drugs***

Due to the availability of the precursor chemicals, traffickers produce large amounts of crystal methamphetamine. Although much of the crystal methamphetamine is consumed locally, some is available for shipment to other markets throughout Southeast Asia. Several ports in southern China serve as transit points for crystal methamphetamine transported by containerized cargo to international drug markets.

Some MDMA traffickers in China are linked directly to the United States. In June 2001, tablets from seizures in two DEA San Francisco investigations were linked to the same source as a 300,000-tablet seizure in Shenzhen, China that had occurred days before. Although the San Francisco seizures were much smaller than the Shenzhen seizure, the capabilities of these trafficking groups appear to be significant. Chinese officials seized over 3 million Ecstasy tablets in China in 2002.

## ***Precursor Chemicals***

China is of paramount importance in global cooperative efforts to prevent the diversion of precursor chemicals. With its large chemical industry, China remains a source country for legitimately produced chemicals that are diverted for production of heroin and cocaine, as well as many amphetamine-type stimulants. China and its neighbor India are the leading exporters of bulk ephedrine in the world. China produces over 100,000 metric tons of acetic anhydride each year, and imports an additional 20,000 metric tons from the United States and Singapore. China is also the second largest producer of potassium permanganate in the world.

To combat the diversion of precursor chemicals, China implemented several regulations on the control of precursor chemicals between 1992 and 1998, including adoption of the 1988 U.N. Convention Against Illicit Traffic in Narcotic Drugs and

Psychotropic Substances in 1993. Additionally, the Government further improved regulations to strengthen control of ephedrine during 1999 and 2000.

China fully participates in Operations TOPAZ and PURPLE, which are international monitoring initiatives that target acetic anhydride and potassium permanganate, respectively. Acetic anhydride is used to synthesize morphine base into heroin, and potassium permanganate is used as an oxidizer in cocaine production. Both chemicals are targeted because they are the chemicals most often preferred, and most widely used, by illicit drug manufacturers. However, the effectiveness of Operation PURPLE has been declining recently, since participant nations are exporting significant amounts of potassium permanganate to non-participant countries.

Additionally, Chinese authorities further control the export of ephedrine and pseudoephedrine through the voluntary use of the Letter of Non-Objection (LONO) system. China will not allow exports of ephedrine or pseudoephedrine without a positive affirmation by authorities in the importing country as to the bona fides of the consignee. For those countries that do not issue import permits, a letter of non-objection must be provided to Chinese authorities.

China is a source country for significant amounts of the ephedrine and pseudoephedrine exported to Mexico, and subsequently used to manufacture methamphetamine destined for the United States.

Increases in pseudoephedrine diversion were noted, beginning with the seizures in March and April 2003 of four shipments of product destined for Mexico. The seizures occurred in the United States and Panama, and totaled over 22 million, 60-milligram pseudoephedrine tablets. The source of supply has been identified as legitimate pharmaceutical companies in Hong Kong. Additional investigations have revealed other companies in Hong Kong that have been engaged in supplying substantial amounts of pseudoephedrine to firms, sometime fictitious, in Mexico.

Also, reports indicate that acetic anhydride is diverted from China to morphine/heroin refineries found in the Golden Triangle. Domestically, Chinese officials express concern over the increasing number of synthetic drug production operations in their country. Seizures of precursor chemicals in China increased from 50 metric tons in 1991 to 383 metric tons in 1997; only 300 metric tons were seized in 2002. The statistics for 2003 are not yet available.

## **DRUG-RELATED MONEY LAUNDERING**

In the past, money laundering was not considered a significant problem in China. However, with the booming economy promoting greater trade investment and the ever-increasing number of foreign bank branches opening throughout the country, it appears that China may become an emerging money laundering center.

China, however, has taken some initial steps to begin investigation of money laundering activities. An Economic Crimes Investigation Department was established in the Ministry of Public Security to focus on illicit activities. The People's Bank of

China (China's central bank) began several structural reforms such as the establishment of two new divisions, the Payment Trade Supervisory Division and the Money Laundering Working Division. The People's Bank of China also prepared guidelines for use by financial institutions to report suspicious transactions, and to sensitize the public about new regulations on money laundering and terrorist financing issues.

## DRUG ABUSE AND TREATMENT

### Drugs of Choice

The major drugs of choice are injectable heroin, smokeable opium, crystal methamphetamine, and MDMA. Preferences between opium and heroin, and methods of administration, differ from region to region within China. The use of heroin and opium has increased among the younger population, as income has grown and the youth have more free time. China considers crystal methamphetamine abuse second to heroin/opium as a major drug problem.

The use of MDMA has only recently become popular in China's growing urban areas.

### January 2003 Wholesale Drug Prices in China (U.S. DOLLARS)

DRUG	LOCATION	PRICE
<b>Southeast Asian Heroin</b> price per 1 unit = 700 grams	Guangzhou	\$18,000
	Fuzhou	18,000
	Burmese border	5,000
<b>Crystal Methamphetamine</b> price per kilogram	Guangzhou	3,700
	Xiamen	4,000
<b>MDMA</b> price per tablet	Beijing	27 - 36
	Shanghai	27 - 36
	Guangzhou	9
	Fuzhou	9

Source: DEA Beijing

### Addict Population

There are over 900,000 registered drug addicts in China, but the Government recognizes that the actual number of users is far higher. Some unofficial estimates range as high as 12 million drug addicts. Of the registered drug addicts, 83.7 percent are male and 73.9 percent are under the age of 35. In 2001, intravenous heroin users accounted for 70.9 percent of the confirmed 22,000 human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) cases. Chinese officials are becoming increasingly concerned about the abuse of methamphetamine and other amphetamine-type stimulants.

### Treatment and Demand Reduction Programs

Both voluntary and compulsory drug treatment programs are provided in China, although the compulsory treatment is more common. Most addicts who attend these centers do so involuntarily upon orders from the Government. Voluntary treatment is provided at centers operated by Public Health Bureaus, but these programs are more

expensive and many people cannot afford to attend them. Addicts, who return to drug use after having received treatment, and who cannot be cured by other means, may be sentenced to rehabilitation at any one of the special centers for reeducation through labor.

Demand reduction efforts target individuals between the ages of 17 and 35, since this is the largest segment of drug users. These efforts include, but are not limited to, media campaigns and establishment of drug-free communities.

## **DRUG LAW ENFORCEMENT AGENCIES AND LEGISLATION**

At the national level, the agencies specifically responsible for the control of licit and illicit drugs are the Ministry of Public Health, the Ministry of Public Security, and the Customs General Administration. The State Drug Administration of the Ministry of Public Health oversees implementation of the laws regulating the pharmaceutical industry. In the Customs General Administration, the Smuggling Prevention Department plays the major role in intercepting illegal drug shipments. The Narcotics Control Bureau of the Ministry of Public Security handles all criminal investigations involving opium, heroin, and methamphetamine.

## **TREATIES AND CONVENTIONS**

China is a party to the 1988 U.N. Drug Convention, the 1961 U.N. Single Convention as amended by the 1972 Protocol, and the 1971 U.N. Convention on Psychotropic Substances. China is a member of the International Criminal Police Organization (INTERPOL), and has been a member of the INCB since 1984.

China also participates in a drug control program with Iran, Pakistan, Tajikistan, Turkmenistan, Uzbekistan, Russia, and the United States. This program is designed to enhance information sharing and coordination of drug law enforcement activities by countries in and around the Central Asian Region.

In June 2000, China and the United States signed a Mutual Legal Assistance Agreement (MLAT). This treaty subsequently went into effect on March 8, 2001. In 1999, China and the United States signed a Bilateral Customs Mutual Assistance Agreement. However, this agreement has not yet been activated. A May 1997 United States and China Memorandum of Understanding on law enforcement cooperation allows the two countries to provide assistance on drug investigations and prosecutions on a case-by-case basis.

China has over 30 MLATs with 24 nations covering both civil and criminal matters. In 1996, China signed MLATs that gave specific attention to drug trafficking with Russia, Mexico, and Pakistan. China also signed a drug control cooperation agreement with India.

China and Burma continue dialogue on counterdrug issues, such as drug trafficking by the United Wa State Army along the China–Burma border. The Government of China encourages and provides assistance for alternative crop programs in Burma

along the China–Burma border. China is also building on Memoranda of Understanding that are currently in place with Burma, Cambodia, Laos, Thailand, Vietnam, and the U.N. Office of Drugs and Crime.

## KEY JUDGMENTS AND CONCLUSION

- ♦ China is a major source of precursor chemicals necessary for the production of cocaine, heroin, and crystal methamphetamine. China produces over 100,000 metric tons of acetic anhydride each year, and imports an additional 20,000 metric tons from the United States and Singapore. Reports indicate that acetic anhydride is diverted from China to morphine and heroin refineries in the Golden Triangle. China is also a leading exporter of bulk ephedrine and has been a source country for much of the ephedrine and pseudoephedrine imported into Mexico; these precursor chemicals are subsequently used to manufacture methamphetamine destined for the United States. Although China has taken aggressive actions through legislation and regulation of production and exportation of precursor chemicals, extensive action is required to control the illicit diversion and smuggling of precursor chemicals.
- ♦ China not only continues to be a major transit route for Southeast Asian heroin, but also for Southwest Asian heroin entering northwestern China from Afghanistan, Pakistan, and Tajikistan. A majority of the Southeast Asian heroin that enters China from Burma transits southern China to various international markets by maritime transport. Drug traffickers take advantage of expanding port facilities in coastal cities, such as Qingdao, Shanghai, Tianjin, and Guangdong, to ship heroin along maritime routes. Southwest Asian heroin (mainly from Afghanistan) represents as much as 20 percent of the heroin entering northwest China. Chinese authorities believe that these trends will increase and they attribute these increases to the continuing development of the infrastructure and economy in China.

This report was prepared by the Europe, Asia, and Africa Strategic Intelligence Unit, Regional Strategic Intelligence Section, of the Office of Strategic Intelligence. This report reflects information received prior to January 2004. Comments and requests for copies are welcome and may be faxed to the Intelligence Production Unit, Intelligence Division, DEA Headquarters, at (202) 307-8726.